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Tucson Electric Power

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UNS Electric, Inc.

88 East Broadway Blvd., P.O. Box 711  
HQE910  
Tucson, AZ 85702-1720

September 10, 2018

Arizona Corporation Commission

DOCKETED

SEP 10 2018

DOCKETED BY

Chairman Tom Forese  
Commissioner Bob Burns  
Commissioner Andy Tobin  
Commissioner Boyd W. Dunn  
Commissioner Justin Olson  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007

Re: Docket Nos. E-01933-15-0239, E-01933-15-0322 ~~0000192054~~

Dear Chairman Forese and Commissioners:

Thank you for including our Phase 2 rate cases on this month's Open Meeting agenda. We look forward to the conclusion of this proceeding. Throughout this entire proceeding we have been offering concessions and proposing compromises on DG rates and export rates that are gradual, in the public interest and based on the principles set forth by the Commission in the Value of Solar Order ("VOS Order").<sup>1</sup> In that order, the Commission, in no uncertain terms, committed to modifying rate design and net metering in order to mitigate the recognized cost shift caused by rooftop solar customers.<sup>2</sup>

We have reviewed Commissioner Burns' Amendment No. 1 ("Burns Amendment 1") that was filed on September 7, 2018. We appreciate the Commissioner's attempt to propose a compromise in what has been a contentious and protracted proceeding.<sup>3</sup> However, we would like the Commission to consider the following:

<sup>1</sup> Decision No. 75859 (Jan. 3, 2017).

<sup>2</sup> VOS Order, page 176 lines 1-2.

<sup>3</sup> We would note that in my July 2, 2018 letter in this docket, TEP and UNS Electric, in the continuing spirit of compromise, offered to accept the \$0.93 per kW grid charge. However, moving recovery of the bidirectional meter cost from a DG meter rate paid by the DG customer to the REST would shift even more costs to other customers. Moreover, the meter charge issue was fully considered in these dockets and we

- **The RCP rate established in APS' settlement agreement should not be used as a proxy for TEP or UNS Electric.** The VOS Order very clearly states that the RCP *should be based on a utility's solar PPAs and owned resources.*<sup>4</sup> The Recommended Opinion and Order's ("ROO") RCP recommendations in this Phase 2 proceeding are based on a full evidentiary proceeding and record while APS' RCP rate is an inseparable part of a black-box settlement that included many trade-offs on many different issues specific to APS and have no relationship to TEP or UNS Electric. It is not necessary to use APS as a proxy because we have provided the accurate proxy information for TEP and UNS Electric consistent with the VOS Order.
- **The proposed RCP rate of 11.61 cents is 27% above UNS Electric's average residential rate of 9.1 cents and nearly 8% above TEP's rate of 10.78 cents.** Our retail rates are lower than APS. Setting the RCP at an inflated level would result in new DG customers paying the same or lower bills than current net metering customers, while non-DG customers would be forced to pay even higher rates for solar exports, thus violating the VOS Order requirement to mitigate the recognized cost shift.<sup>5</sup>
- **Our customers are more affected by the DG cost shift than APS customers.** The demographics of our customers in Tucson, Nogales, Kingman and Lake Havasu are different than the Phoenix area, and these communities are less capable of subsidizing DG deployment.
- **The Commission approved initial export rates for Trico, Sulphur Springs and Mohave Electric of 7.7 cents<sup>6</sup>, 7.1 cents<sup>7</sup>, and 7.4 cents<sup>8</sup>, respectively, based on litigated outcomes that met the requirements of the VOS Order.** Trico, Sulphur Springs and Mohave Electric serve customers in similar counties to those served by TEP and UNS Electric (Pima, Cochise, Mohave and Santa Cruz Counties). Moreover, most of UNS Electric's service area is as rural as the electric cooperative service areas. If the Commission is looking for an RCP rate proxy consistent in terms of geography, economies and process, then TEP's and UNS Electric's RCP rates should be similar to those of Trico, Mohave Electric and Sulphur Springs, not APS.

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have now agreed to the meter charge set forth in the ROO. Re-litigating the issue in a REST proceeding is unnecessary.

<sup>4</sup> VOS Order, page 170 lines 25-26.

<sup>5</sup> VOS Order, page 176 lines 1-2.

<sup>6</sup> Decision No. 75976 (Feb. 24, 2017).

<sup>7</sup> Decision No. 76465 (Nov. 17, 2017).

<sup>8</sup> Decision No. 76471 (Nov. 20, 2017).

We take tremendous pride in providing safe, reliable and affordable service to our customers across Arizona. It is time to implement rate options and export rates for prospective DG customers that are fair and equitable for all of our customers, that are consistent with the VOS Order and that are in the overall public interest.

Respectfully,

A handwritten signature in black ink, appearing to read "D. Hutchens", written in a cursive style.

David G. Hutchens  
President and CEO

cc: Docket Control  
Service List for Docket Nos. E-01933-15-0239, E-01933-15-0322 and ~~████████████████████~~